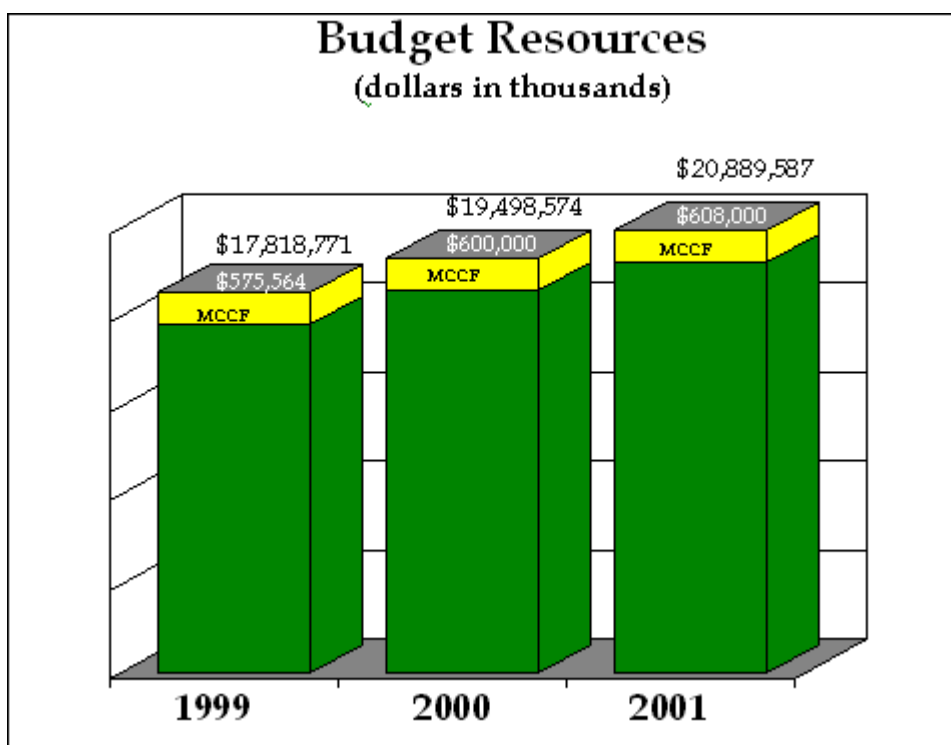




Medical Programs

Medical Care

The Medical Care appropriation provides for a comprehensive and integrated health care system supporting eligible veterans; a national academic education and training program to enhance the quality of care provided to veterans; and administrative support of capital facilities. The mission of the veterans health care system is to serve the needs of America's veterans. It does this by providing specialized and primary care including related medical and social support services to eligible veterans. To accomplish this mission, VHA needs to be a comprehensive, integrated health care system providing: excellence in health care value; excellence in service as defined by its customers; and, excellence in education and research. In addition, it needs to be an organization characterized by exceptional accountability and by being an employer of choice.



The 2001 President's Budget includes the Medical Care appropriation with budgetary resources totaling \$20,889,587,000. The funding level is comprised of the

direct Medical Care appropriation and the Medical Care Collections Fund (MCCF). The MCCF allows VA's health care system to retain collections from third party insurance companies, other copayments and related medical fees. The Medical Care appropriation request includes full funding of the Veteran's Millennium Act benefits (\$548 million) rather than rely directly on the new collections authority that will generate \$350 million. A transfer back to Treasury of up to \$350 million of total receipts will be made to compensate for this funding. Specifically, the 2001 budget resource request consists of an appropriation increase of \$1.36 billion for \$20,281,587,000 and MCCF increase of \$8 million for \$608,000,000 in medical collections. In addition, the request restores \$27.9 million in appropriation to allow Medical Care to reimburse General Operating Expenses (GOE) expenses on a reimbursable basis instead of an appropriation transfer in 2001.

2001 Funding Reconciliation (dollars in thousands)			
	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Medical care appropriation 1/	\$18,926,481	\$20,281,587	+\$1,355,106
Appropriation transfer: ORM/OEDCA 2/	-27,907	0	+\$27,907
Transfer from MCCF	600,000	608,000	+8,000
Subtotal, Medical care	\$19,498,574	\$20,889,587	+\$1,391,013
Reimbursements			
Sharing & other reimbursements	117,000	125,500	+8,500
Subtotal, Reimbursements	117,000	125,500	+8,500
Adjustments to obligations:			
Changes in unobligated balance	77,176	97,000	+19,824
Recovery prior year obligations	3,000	3,000	0
Total Obligations	\$19,695,750	\$21,115,087	+\$1,419,337

^{1/} Reflects Government-wide rescission of \$35,373,000 in 1999 and \$79,519,000 in 2000 to meet discretionary spending caps.

^{2/} The appropriation transfer of \$27,907,000 to General Operating Expenses (GOE) in 2000 will be on a reimbursable basis from VHA to GOE in 2001.

Obligations and Financing (dollars in thousands)				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Program:				
Provision of veterans health care:				
Acute hospital care	\$4,870,312	\$5,213,046	\$5,440,672	+\$227,626
Rehabilitative care	380,119	393,000	412,650	+19,650
Psychiatric care	1,185,664	1,180,000	1,191,800	+ 11,800
Nursing home care	1,787,399	1,974,581	2,074,313	+99,732
Subacute care	386,597	378,865	375,076	-3,789
Residential care	352,691	392,526	414,935	+22,409
Outpatient care	7,856,554	9,031,376	10,050,629	+1,019,253
Miscellaneous benefits & services	938,691	1,004,399	1,016,443	+12,044
CHAMPVA	117,557	127,957	138,569	+10,612
Total Obligations	\$17,875,584	\$19,695,750	\$21,115,087	+\$1,419,337
Financing:				
Appropriation 1/	\$17,270,627	\$18,926,481	\$20,281,587	+\$1,355,106
Transfer to General Operating Expense 2/	-27,420	-27,907	0	+27,907
Transfer from MCCF	575,564	600,000	608,000	+8,000
Reimbursements	103,305	117,000	125,500	+8,500
Recovery prior year obligations	0	3,000	3,000	0
Unobligated balance expiring	-3,182	0	0	0
Unobligated balance available (SOY)	1,038,865	1,082,176	1,005,000	-77,176
Unobligated balance (EOY)	(1,082,176)	(1,005,000)	(908,000)	+97,000
Total Resources	\$17,875,584	\$19,695,750	\$21,115,087	+\$1,419,337
FTE	182,661	180,510	179,206	-1,304

1/ Reflects Government-wide rescission of \$35,373,000 in 1999 and \$79,519,000 in 2000 to meet discretionary spending caps.

2/ The appropriation transfer of \$27,907,000 to General Operating Expenses (GOE) in 2000 will be on a reimbursable basis from VHA to GOE in 2001.

In the past several years, VA emphasized, promoted and exercised significant changes as it transformed the veteran health care system from a traditional hospital system to an ambulatory care-based network. The focus moved VA from an inpatient institutional specialty system to a team based primary care network. During the reinvention effort, VHA reduced the cost of patient care, increased the number of patients treated, and increased non-appropriated funding sources. VHA's focus has now shifted to improving access and service delivery to veterans.

In 1999, VA responded to reports that some veterans enrolled in VA's health care system were experiencing long waits to schedule appointments and unreasonable wait times on the day of the appointment at the clinic. This resulted in the redirection of \$200 million in 2000 on access and service delivery initiatives. In addition, the approved buyout authority will be used to assist VHA to re-tailor the medical care workforce towards improved access, service delivery, and patient safety.

A pillar of the 2001 request is the continued emphasis on access and service delivery improvements. The request includes \$400 million in 2001 for this initiative, a \$200 million increase over 2000, \$123 million from redirected medical care work force through buyout authority plus an additional \$77 million requested for other improvements. Improvements are expected in timeliness of service with a redesigned scheduling process and additional Community Based Outpatient Clinics (CBOCs), nationwide 24 hour-a-day, 7 day-a-week telephone care service, increased imaging and telemedicine access, and realigned FTE to support these enhancements. In addition, it introduces newly established access and service delivery goals and performance measures.

VA's leadership role to enhance oversight of patient safety issues is expected to result in an expenditure of \$137 million in 2001. This includes an additional 190 FTE (from redirection of FTE through buyout authority) for the Patient Safety Management program. This program includes the National Center for Patient Safety, Comprehensive Medical Error Reporting and Analysis System, Patient-Safety Training, and assistance with implementation of Bar-Coding and Computerized Patient Record System (CPRS).

The request demonstrates VA's commitment to improve and maintain a high quality of health care with an increase of \$1.419 billion in total obligations (\$1.355 billion increase in direct appropriation, elimination of \$27.9 million in appropriation associated with the GOE transfer, and \$36 million change in receipts, reimbursements, and unobligated balances). These resources plus anticipated management savings of \$360 million will support the costs associated with payroll, inflation, costs (Hepatitis C, pharmacy, prosthetics, compliance, etc.), access and service delivery initiatives, and cost associated with the Veterans Millennium Act.

In addition to basic clinical components funded by the Medical Care appropriation, the 2001 request continues funding support to research and education and training of health professionals. These areas contribute significantly to the health and well being of veterans. Plus they contribute indirectly to the health and well being of all Americans.

In 2001, collections of \$958 million is anticipated which includes: traditional MCCF collections of \$608 million plus the Veterans Millennium Act (P.L. 106-117) receipt

estimates of \$350 million (\$271 million Health Service Improvement fund receipts and \$79 million Extended Care receipts). The Millennium Act benefits are fully funded in the request rather than rely on the new collections authorized that will generate \$350 million in additional receipts (above the \$608 million MCCF receipts). A legislative proposal will allow for 50 percent of medical collections to be returned to Treasury until a level of \$350 million is recouped, at which point VA will retain 100 percent of collections. The legislative proposal consolidates the Health Services Improvement Fund receipts and Extended Care Fund receipts with MCCF.

<i>Unique Patients</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Unique patients	3,610,030	3,794,864	3,894,864	+100,000

<i>Medical Care Number of VA Installations</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Veterans Integrated Service Networks	22	22	22	0
VA hospitals	172	172	172	0
VA nursing homes	134	134	134	0
VA domiciliaries	40	40	40	0
Outpatient clinics (includes hospital clinics)	689	766	829	+63

Summary of Resource Increases and Decreases

<i>Summary of Resource Increases/Decreases (dollars in thousands)</i>		
Item	FTE	Obligations
I. Program changes for 2001 over 2000 funding:		
1) Improve access and service delivery	0	\$77,192
2) Millennium Act requirements in 2001	1,187	349,830
3) Other:		
Hepatitis C (HCV)	484	144,751
Pharmaceuticals	0	213,121
Prosthetics	0	58,881
Compliance	227	40,000
Special disability programs	48	4,323
Reproductive care	0	2,000
State home pharmacy	0	4,277
Other total	759	467,353
4) Management efficiencies	(3,250)	(360,000)
5) State home programs:		
Increase VA share of cost	0	1,309
Workload change	0	15,422
6) CHAMPVA outpatient workload	0	7,657
7) Real property rental	0	1,040
8) Calendar day change	0	(2,280)
9) HR LINK\$	0	7,166
10) Core Financial & Logistics System	0	43,504
11) GOE transfer Adjustment	0	27,907
Total program changes	(1,304)	\$636,100
II. Payroll for existing employees	0	483,218
III. Inflation and rate changes	0	300,019
Total resource changes	(1,304)	\$1,419,337

The net effect of resource changes in 2001 to improve access and service delivery, implement the Millennium Act, cover other new costs and initiatives will increase total resources by \$1,419,337,000 and reduce FTE by 1,304. An increased cost in payroll of \$483,218,000 supports medical care employment. The increased cost for inflation and rate changes is \$300,019,000. The programmatic changes, described below, reflect VHA's 2001 operational requirements based on prior decisions or events external to VA.

- ◆ Increase of \$77,192,000 above the 2000 base to improve access and service delivery.
- ◆ Increase of \$349,830,000 and 1,187 FTE for the Veterans Millennium Act requirements.
- ◆ Increase of \$144,751,000 and 484 FTE for screening and treatment of Hepatitis C Virus (HCV).

- ◆ Increase of \$213,121,000 for pharmaceutical expenses.
- ◆ Increase of \$58,881,000 for prosthetics expenses.
- ◆ Increase of \$40,000,000 and 227 FTE to implement compliance activities.
- ◆ Increase of \$4,323,000 and 48 FTE for special disability programs.
- ◆ Increase of \$2,000,000 for reproductive care evaluation and treatment.
- ◆ Increase of \$4,277,000 for medications in the State Home Pharmacy program.
- ◆ Decrease of \$360,000,000 and 3,250 FTE in management efficiencies.
- ◆ State Home workload and increase in VA share of costs of \$16,731,000.
- ◆ CHAMPVA outpatient workload increase of \$7,657,000.
- ◆ Increase in real property rental of \$1,040,000.
- ◆ Decrease due to calendar day change of \$2,280,000.
- ◆ Increase of \$7,166,000 for HR LINK\$.
- ◆ Increase of \$43,504,000 for the Core Financial & Logistics System.
- ◆ Increase of \$27,907,000 for the GOE Adjustment.

Workloads and Workload Indicators

The 2001 budget provides for the medical care and treatment of 721,183 inpatients with an average daily census of 56,369 and outpatient medical visits totaling 41.8 million, an increase of 3.6 percent.

Workloads and indicators of the medical care and treatment programs for the actual, current and budget estimates years are in the following tables. The treatment emphasis is placed on meeting the patient health care needs and not on the location of care; therefore, this budget continues to streamline the presentation of activities that are more comparable to what is reported in today's health care industry.

Inpatient Care

<i>Summary of Workloads for VA and Non-VA facilities</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Acute hospital care:				
Average daily census	8,371	7,484	6,725	-759
Patients treated	434,468	425,500	411,640	-13,860
Length of stay in FY 1/ ^{1/}	7.0	6.4	6.0	-0.4
Rehabilitative care:				
Average daily census	1,259	1,156	1,052	-104
Patients treated	16,274	15,470	14,656	-814
Length of stay in FY 1/ ^{1/}	28.2	27.3	26.2	-1.1
Psychiatric care:				
Average daily census	5,144	4,269	3,586	-683
Patients treated	111,726	100,000	86,200	-13,800
Length of stay in FY 1/ ^{1/}	16.8	15.6	15.2	-0.4
Nursing home care:				
Average daily census	32,204	32,552	32,769	+217
Patients treated	89,217	93,030	98,929	+5,899
Length of stay in FY 1/ ^{1/}	131.8	128.1	120.9	-7.2
Subacute care:				
Average daily census	2,562	2,254	2,006	-248
Patients treated	50,332	54,000	59,268	+5,268
Length of stay in FY 1/ ^{1/}	18.6	15.3	12.4	-2.9
Residential care:				
Average daily census	10,496	10,386	10,231	-155
Patients treated	49,774	50,008	50,490	+482
Length of stay in FY 1/ ^{1/}	77.0	76.0	74.0	-2.0
Total inpatient facilities:				
Average daily census	60,036	58,101	56,369	-1,732
Patients treated	751,791	738,008	721,183	-16,825

^{1/} Similar to fiscal obligations, length of stay reflects only days of care generated in that fiscal year

<i>Summary of Workloads for VA and Non-VA facilities (continued)</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Outpatient visits (000):				
Staff	35,236	37,700	39,000	+1,300
Fee	1,692	1,861	2,010	+149
Readjustment counseling	871	827	827	0
Total	37,799	40,388	41,837	+1,449
Staff and fee outpatient dental program:				
Staff examinations	284,425	287,000	287,000	0
Staff treatments	155,336	159,000	159,000	0
Fee cases	11,648	14,000	14,000	0

CHAMPVA workloads: ^{1/}				
Inpatient census	140	140	140	0
Outpatient claims	1,075,533	1,177,924	1,290,062	+112,138

^{1/} CHAMPVA, care for certain dependents and survivors of veterans, is provided in both inpatient and outpatient settings.

<i>Employment Analysis FTE by Activity</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Acute hospital care	52,526	49,322	46,359	-2,963
Rehabilitative care	4,848	4,700	4,465	-235
Psychiatric care	16,447	15,000	13,800	-1,200
Nursing home care	21,018	21,762	22,539	+777
Subacute care	5,697	5,298	4,953	-345
Residential care	4,696	4,784	4,890	+106
Outpatient care	69,503	71,486	73,883	+2,397
Miscellaneous benefits & services	7,737	7,969	8,128	+159
CHAMPVA	189	189	189	0
Total FTE	182,661	180,510	179,206	-1,304

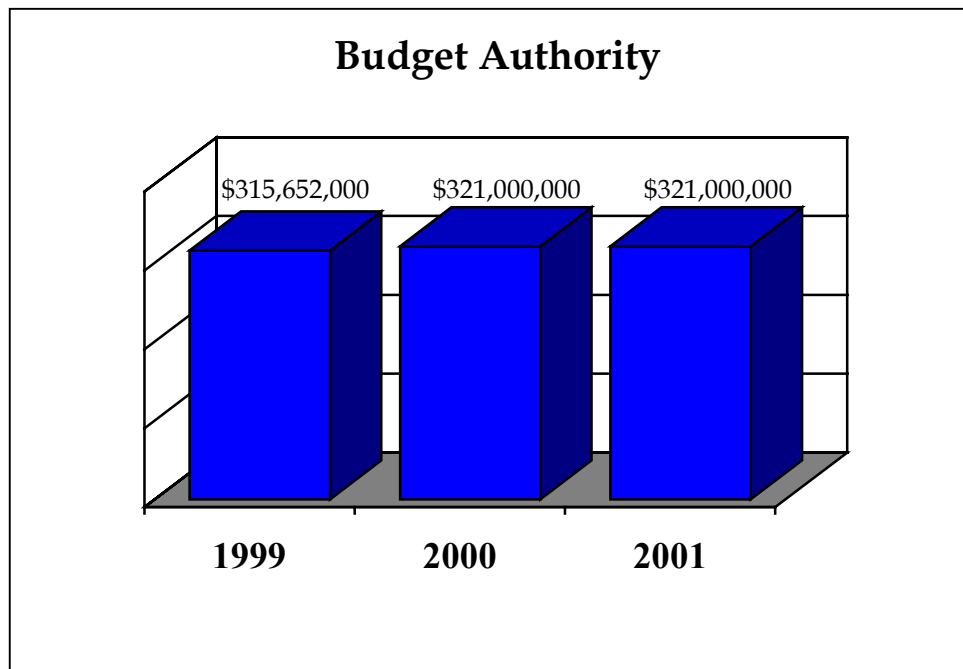
Staffing Ratios, VA Medical Centers

Staffing Ratios (FTE/census) are expected to increase slightly while FTE/1,000 patients treated are expected to decrease slightly in 2001.

<i>Staffing Ratios, VA Medical Systems</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
FTE/census:				
Acute hospital care	6.27	6.59	6.89	+0.30
Rehabilitative care	3.85	4.07	4.24	+0.17
Psychiatric care	3.20	3.51	3.85	+0.34
Nursing home care	0.65	0.67	0.69	+0.02
Subacute care	2.22	2.35	2.47	+0.12
Residential care	0.45	0.46	0.48	+0.02
FTE/1,000 patients treated:				
Acute hospital care	121	116	113	-3
Rehabilitative care	298	304	305	+1
Psychiatric care	147	150	160	+10
Nursing home care	236	234	228	-6
Subacute care	113	98	84	-14
Residential care	94	96	97	+1
FTE/1,000 outpatient visits	1.88	1.81	1.80	-0.01

Medical and Prosthetic Research

The Medical and Prosthetic Research account is an intramural program, whose mission is to discover knowledge and create innovations to advance the health and care of veterans and the nation. This appropriation provides funds for the conduct of the Department of Veterans Affairs (VA) Medical, Rehabilitation, Health Services, and Cooperative Studies research programs. The Medical and Prosthetic Research appropriation supports one-third of the research effort, with other VA appropriations as well as private and public funding contributions. It is expected that non-VA funding will increase in 2001.



The following table summarizes the budgetary resources for the Medical and Prosthetic Research activities. In addition to receiving direct support for VA initiated research from appropriated funds, VA clinician/investigators compete for and obtain funding from other Federal and non-Federal sources. Their success is a direct reflection of the high caliber of VA's corps of researchers who are able to work in an environment conducive to research. In addition to outside funding, the Medical and Prosthetic Research program receives support from the Medical Care appropriation, which funds laboratory facilities and ancillary support services and pays a portion of clinician/investigator's salaries.

Summary of Resources <i>(dollars in thousands)</i>			
	1999 Actual	2000 Estimate	2001 Estimate
Medical and prosthetic research appropriation	\$315,652	\$321,000	\$321,000
Medical care support	325,994	331,144	331,144
Federal grants	337,558	340,776	342,759
Other grants (voluntary agencies)	143,033	149,932	154,430
Total	\$1,122,237	\$1,142,852	\$1,149,333

Veteran health issues are addressed comprehensively in the four program divisions as follows:

Medical Research. – Medical Research strives to understand the disease process so that efficient, rational interventions can be made to cure or alleviate the effects of disease. The program supports investigator initiated research projects, the training of clinicians in basic and clinical research, and centers of excellence devoted to specific diseases. The research is done in areas particularly relevant to the veteran population – aging, chronic disease, mental illness, substance abuse, military occupations and environmental exposures.

Rehabilitation Research. – Rehabilitation Research is dedicated to the development and application of science and engineering to improve the care and quality of life for the physically disabled. The program supports investigator initiated research projects, the training of clinicians and engineers in rehabilitation research, centers of excellence devoted to specific disabilities and technology transfer. The research is done in areas particularly relevant to the disabled veteran population – aging, sensory loss, and trauma related illness.

Health Services Research. – Health Services Research is directed toward improving the outcome effectiveness and cost efficiency of health care delivery for the veteran population. The program supports investigator initiated research projects, the training of clinicians in applied clinical research, centers of excellence devoted to specific aspects of health care delivery and service directed projects addressing clinical management needs. The research focuses on the translation of research findings to clinical best practices for all veteran patients. Particular contributions are made in the areas of aging, substance abuse, health systems and special populations.

Cooperative Studies. – Cooperative Studies Research has recently been separated from the Medical Research and Health Services Research programs and is directed toward large multi-site clinical trials. Cooperative Studies supports the clinical trials with its own statistical support centers and its own FDA approved pharmacy. The research determines the efficacy and cost effectiveness of new medications and new

treatment strategies of direct benefit to the veteran population in the areas of aging, chronic disease, mental illness, special populations, and military occupations and environmental exposures.

In 2001, the research program will continue it's strong support of projects originated in prior years. In addition, it will continue it's strong commitment and increased emphasis on Designated Research Areas (DRA's) highly relevant to the health care needs of veterans.

<i>Obligations, Budget Authority, and Employment</i> <i>(dollars in thousands)</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Medical and Prosthetic Research:				
Obligations	\$348,091	\$366,706	\$361,000	-\$5,706
Reimbursements (total)	41,559	33,000	40,000	+7,000
Average employment (FTE):				
Direct	2,486	2,707	2,552	-155
Reimbursable	488	283	331	+48
Total	2,974	2,990	2,883	-107
Appropriation	\$315,652	\$321,000	\$321,000	0
Outlays:				
Obligations, net	\$306,532	\$333,706	\$321,000	-\$12,706
Obligated balance, start of year	121,619	110,012	132,696	+22,684
Obligated balance, end of year	(110,012)	(132,696)	(127,146)	+5,550
Adjustments in expired accounts	(1,946)	0	0	0
Total Outlays	\$316,193	\$311,022	\$326,550	+\$15,528

Program requirements totaling \$321,000,000 and 2,883 FTE requested for 2001 in the Medical and Prosthetic Research appropriation is the same as the 2000 appropriation, with a decrease of 107 FTE. The decrease in FTE will be the result of program efficiencies.

This level of funding is expected to support approximately 1,942 Sub-Activity projects, the same as in 2000. With the realignment of Research and Development's priorities, as recommended by the Secretary's Research Realignment Advisory Committee, virtually all of the 2001 projects are directed toward health conditions relevant to the veteran population.

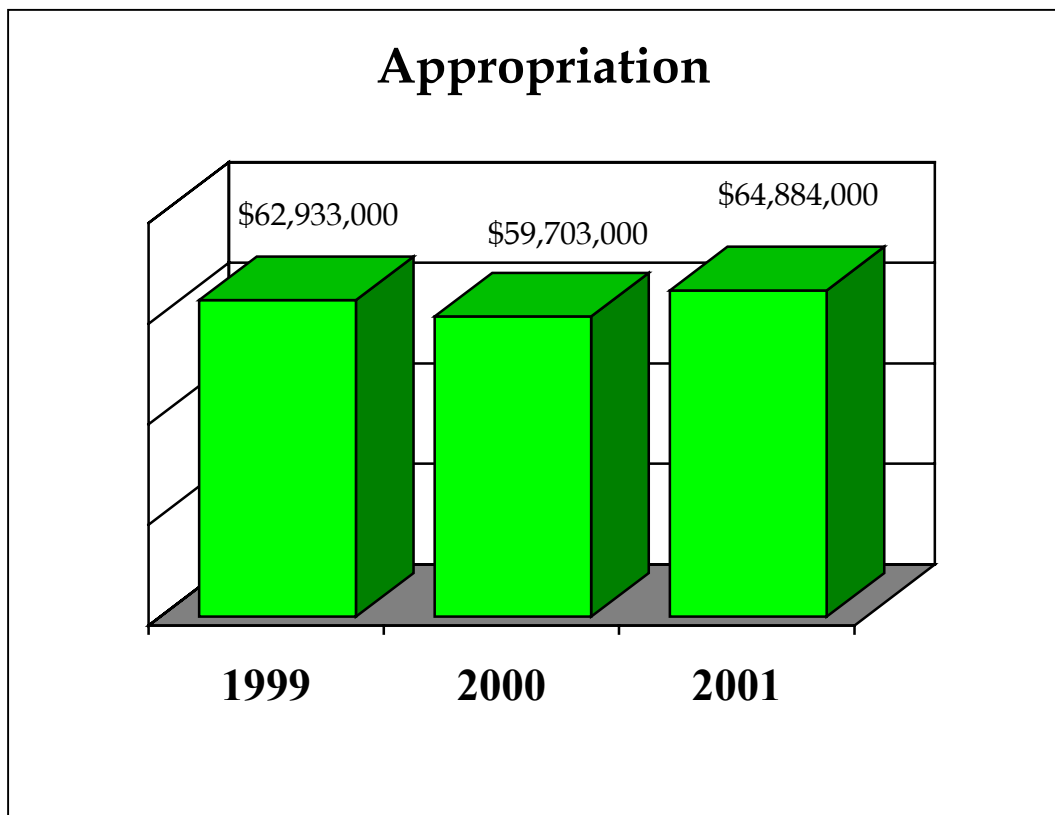
<i>Projects by Designated Research Areas</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase (+) Decrease(-)
<u>Designated Research Areas:</u>				
Aging	569	569	569	0
Chronic disease	1,446	1,446	1,446	0
Mental illness	208	208	208	0
Substance abuse	152	152	152	0
Sensory loss	88	88	88	0
Trauma related illness	274	274	274	0
Health systems	224	224	224	0
Special populations	144	144	144	0
Military occupations & environmental exposures	207	207	207	0

The Designated Research Areas (DRA) listed above, represent areas of particular importance to our veteran population. Because of the multiplicative nature of research, many individual research projects have a bearing on more than one DRA. For example, heart disease relates both to chronic disease and aging. This research helps us perform our mission “to discover knowledge and create innovations that advance the health and care of veterans and the nation.”

Medical Administration and Miscellaneous Operating Expenses (MAMOE)

The Medical Administration and Miscellaneous Operating Expenses (MAMOE) appropriation provides the supervision and administration activities that support VA's comprehensive and integrated health care system and the goal and objectives outlined in VA's *Prescription for Change* and *Journey of Change*. Specific activities include the development and implementation of policies, plans and broad program activities; assistance for the networks in attaining their objectives; and necessary follow-up action to insure complete accomplishment of goals. The Facilities Management Service Delivery Office is funded on a reimbursable basis by other VA components. This office supports project management, architectural, engineering, real property acquisition and disposition, construction and renovation of facilities under the jurisdiction of, or for use by, the Department of Veterans Affairs.

The appropriation requested for 2001 is \$64,884,000; an increase of \$5,181,000 from the 2000 appropriated level.



<i>Obligations, Budget Authority, and Employment</i> <i>(dollars in thousands)</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Program:				
Obligations	\$62,822	\$66,717	\$72,067	+\$5,350
Financing:				
Appropriation	63,000	59,703	64,884	+5,181
Recission P.L. 106-51	-67	0	0	0
Reimbursement	0	7,014	7,183	+169
Budget authority	\$62,933	\$66,717	\$72,067	+\$5,350
Average employment (FTE)	488	541	584	+43

The MAMOE activity is requesting \$64.9 million in appropriation augmented by \$7.2 million in reimbursements to fund 584 FTE to support operations in 2001. This request, as in 2000, includes reimbursement authority for activities related to the Facilities Management Service Delivery Office. This office will receive reimbursement from the Medical Care, Veterans Benefits Administration, and National Cemetery Administration for field related project management. This reimbursement will allow VA to utilize appropriation funding in high priority areas to hire additional staff in the areas of quality management and performance measurement. This appropriation funding level will allow MAMOE to concentrate upon the highest priorities at HQ to assure that quality care is delivered to the veterans of the Nation. Capital policy activities will still be funded by the appropriation.

Health Professional Scholarship Program

This account received no appropriation from Congress beginning in 1996 and none is requested for 2001. Funds previously appropriated are being utilized to fully meet commitments approved by the Secretary.

<i>Highlights</i> <i>(dollars in thousands)</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Appropriation	\$0	\$0	\$0	\$0
Outlays	\$17	\$0	\$0	\$0

Special Therapeutic and Rehabilitation Activities Fund

This revolving fund, established by Public Law 94-581, provides a mechanism for furnishing rehabilitative services to certain veteran beneficiaries receiving medical care and treatment from VA. This is a self-sustaining fund that does not require an appropriation. Funds deposited in this account are derived from actual work performed by patients and members in VA health care facilities under contracts developed with private industry, non-profit organizations and state and Federal entities. The Special Therapeutic and Rehabilitation Fund (STRAF) pays for: patient salaries; the purchase of equipment, supplies and contractual services necessary to complete the subcontracted work; and the travel of Compensated Work Therapy (CWT) staff for demonstrative and educational purposes.

The estimated 2001 revenue level of \$41,810,000 is \$980,000 over 2000 revenue level.

<i>Revenue and Expense</i> (dollars in thousands)				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Revenue	\$40,134	\$40,830	\$41,810	+\$980
Expense	-38,288	-39,500	-40,200	-\$700
Net income	\$1,846	\$1,330	\$1,610	+\$280

Medical Center Research Organizations

Public Law 100-322 added a subchapter to Chapter 73 of title 38 entitled "Medical Center Research Organization." This public law authorized the creation of Department of Veterans Affairs medical center nonprofit organizations to provide a flexible funding mechanism for the conduct of research. These organizations derive funds to operate various research activities from Federal and non-Federal sources. This fund is self-sustaining, and requires no appropriation to support these activities.

<i>Fund Highlights</i> (dollars in thousands)				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Obligations	\$105,133	\$107,866	\$110,563	+\$2,697
Outlays (net)	\$0	\$0	\$0	\$0

General Post Fund, National Homes

This trust fund is used to promote the comfort and welfare of veterans in hospitals and homes where no general appropriation is available. The fund consists of gifts, bequests and proceeds from the sale of property left in the care of Department of Veterans Affairs facilities by former beneficiaries who die leaving no heirs or without having otherwise disposed of their estate. Donations from pharmaceutical companies, nonprofit corporations and individuals to support VA Medical Research can also be deposited into this fund.

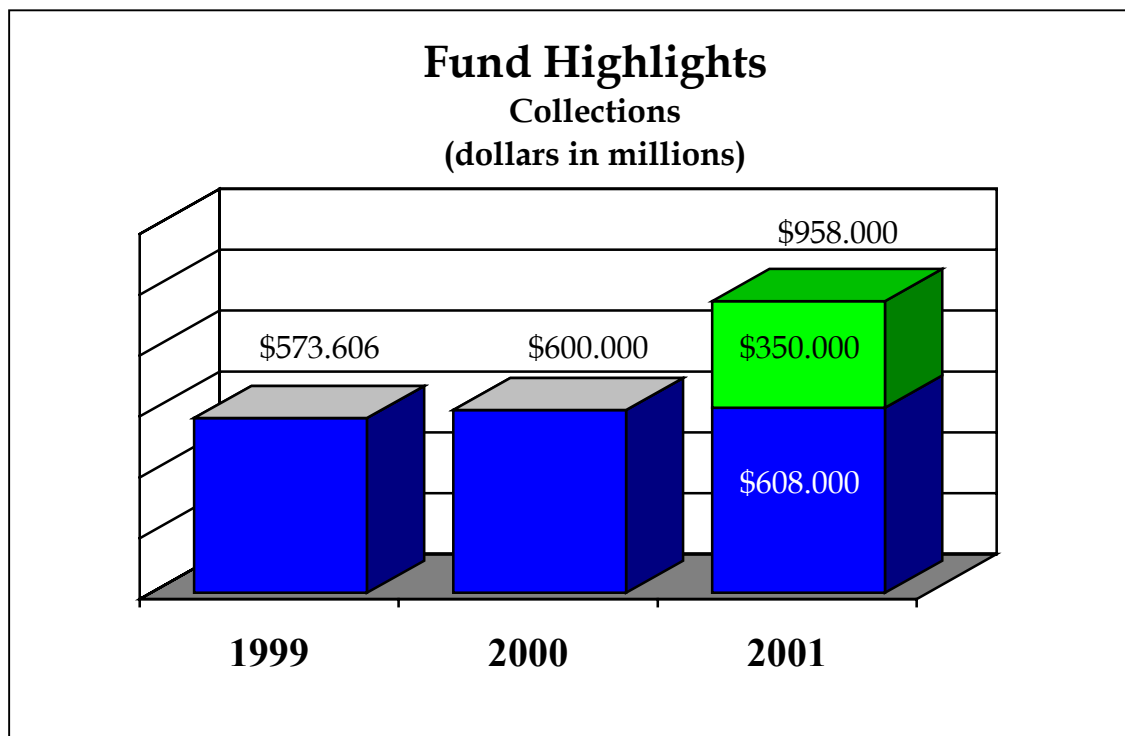
No appropriation funding is being requested for the transitional housing loan program for 2001 because no loan activity on this program has occurred since its inception in September 1994. Although there were numerous inquiries about the program and requests for application materials, to date only one complete application has been received (which was disapproved due to financial status of organization and planned use of loan proceeds).

<i>Obligations and Budget Authority</i> <i>(dollars in thousands)</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Program:				
Obligations	\$31,529	\$32,349	\$33,125	+\$776
Budget authority (permanent, indefinite)	\$33,331	\$34,198	\$35,018	+\$820

Medical Care Collections Fund

The Balanced Budget Act of 1997, P.L. 105-33, established the Medical Care Collections Fund (MCCF) and terminated the Medical Care Cost Recovery Fund (MCCR). The amounts MCCR collected or recovered after June 30, 1997, were transferred to the MCCF account which serves as a depository for all third party insurance, outpatient prescription copayments and other related medical collections and user fees.

Beginning October 1, 1997, any amounts collected are available only for furnishing VA medical care and services during any fiscal year and for VA expenses for identification, billing, auditing, legal, and collection of amounts owed the government. Public Law 105-33 also extended to September 30, 2002, the following OBRA provisions: 1) authority to recover copayments for outpatient medication and nursing home and hospital care; 2) authority for certain income verification authority; and 3) authority to recover third party insurance payments from service-connected veterans for nonservice-connected conditions. Legislation is included in the budget to make these provisions permanent.



P.L. 106-117 authorized the Secretary to increase the \$2 prescription drug copayment, establish a maximum annual and monthly payment applicable to veterans with multiple outpatient prescriptions and revise copayments in outpatient

care for “higher-income” veterans. Receipts and collections under the new authority will be deposited in the Health Services Improvement Fund with additional funds from VA treatment of DOD TRICARE patients and Enhanced Use leases.

The 2001 request includes a legislative proposal to consolidate receipt accounts established by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117 (the Health Services Improvement Fund, including DOD TRICARE and Enhanced Use collections, and Extended Care Revolving Fund) with the Medical Care Collection Fund (MCCF). The proposal also includes a provision to return 50 percent of the first \$700 million (\$350 million) in collections to the Treasury to avoid double funding, since the 2001 request fully funds the Millennium Act requirements instead of offsetting for the new receipts.

Improving Collections in the Future

VA is focusing their attention on internal functions in order to improve recoveries through various on-going efforts. To support and improve billing and collection, in 1999, VA’s billing rates were changed to reasonable charges; implementing and developing automated recovery processes; improving clinical and cost data on the insurance bill; and updating incomplete or unknown insurance and employment data.

In addition, VHA continues to pursue ways to automate recovery processes. Outsourcing opportunities for all or part of the revenue process are being evaluated. A nationwide contract has been established to handle delinquent third party claims over 90 days for inpatient health care services provided. Independently, some VISNs use contracts for insurance identification and receivable follow-up.

Summary of Fund Activity (dollars in thousands)			
	1999 Actual	2000 Estimate	2001 Estimate
Existing Legislation:			
Third party collections	\$419,942	\$444,000	\$451,400
First party collections	153,664	156,000	158,600
Total Collections	\$573,606	\$600,000	\$610,000
Millenium Act (P.L. 106-117) Collections:			
Health Services Improvement Fund:			
Medication Copayments	0	0	\$90,000
DoD TRICARE	0	0	182,000
Less Copays, Priority 7 TRICARE Eligible	0	0	(3,000)
Extended Care Revolving Fund: (P.L. 106-117)			
Nursing Home Care	0	0	\$39,000
Non-Institutional Extended Care Services	0	0	40,000
Total Collections	\$573,606	\$600,000	\$958,000
Legislative Proposal to Transfer to Treasury	0	0	(\$350,000)
Total Transfer to Medical Care	\$573,606	\$600,000	\$608,000
Distribution of Transfer to Medical Care:			
Third Party	\$419,942	\$444,000	\$290,000
First Party	153,664	156,000	203,000
DoD TRICARE	0	0	115,000

Extended Care Revolving Fund

The Extended Care Revolving Fund was established by the Veterans Millennium Health Care and Benefits Act, P.L. 206-117. This fund receives per diems and co-pays from certain patients receiving extended care services as authorized in title 38, U.S.C., Section 1710B. Amounts deposited in the fund are used to provide extended care services. VA estimates that in 2001 we will collect \$79 million under this provision.

The Administration is proposing a change in title 38 to merge this account with the Medical Care Collection Fund (MCCF) and that one half of the first \$700 million in combined receipts be transferred to the Treasury.

Medical Facilities Revolving Fund

The Medical Facilities Revolving Fund was established by the Veterans Benefits Act of 1992 (P.L. 102-568) and consists of funds transferred from the Compensation and Pensions (C&P) appropriation. Public Law 105-368, "Veterans Programs Enhancement Act of 1998", has granted permanent authority for the transfer of pension funds in excess of \$90 per month from the C&P account, in accordance with the provisions of title 38 U.S.C., Section 5503(a)(1)(B). These funds are used to assist in the operation of VA medical facilities.

Under the provisions of 38 U.S.C. Chapter 55, veterans who do not have either a spouse or child, may have their monthly pension payments reduced to \$90. This reduction begins after the end of the third full calendar month a veteran is admitted for nursing home care. The difference between the veteran's regular monthly pension payment and the \$90 is deposited into this revolving fund for future use by the individual VA facility. VA uses these no-year funds for non-payroll items excluding employee travel at the VA facility providing the patient's care.

<i>Fund Highlights</i> <i>(dollars in thousands)</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Appropriation (from pension)				
Obligations:				
Other services	\$419	\$511	\$524	\$13
Supplies and materials	1,046	1,276	1,307	31
Equipment	1,523	1,858	1,902	44
Total obligations	\$2,988	\$3,645	\$3,733	\$88
Outlays (net)	-\$193	\$170	\$631	+\$461

Canteen Service Revolving Fund

Current revenues finance this revolving fund and provide for the maintenance and operation of the Veterans Canteen Service at all VA hospitals and domiciliaries. The canteens provide reasonably priced merchandise and services to comfort veterans in hospitals, nursing homes, and domiciliaries.

<i>Profit and Loss Statement</i> <i>(dollars in thousands)</i>				
	1999 Actual	2000 Estimate	2001 Estimate	Increase(+) Decrease(-)
Average employment	3,010	3,025	3,025	0
Revenue	\$217,281	\$227,360	\$227,934	+\$574
Expense (-)	-217,670	-225,165	-225,999	-834
Net operating income	-\$389	\$2,195	\$1,935	-\$260
Non-operating income (+) or loss (-)	588	775	1,140	+365
Net income	\$199	\$2,970	\$3,075	+\$105
Outlays	\$138	\$500	\$1,500	\$1,000